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S E C R E T SECTION 01 OF 09 CANBERRA 000418

SIPDIS

STATE ALSO FOR P, EAP, NEA, SA, ISN AND EB PACOM ALSO FOR POLAD WHITE HOUSE ALSO FOR NEC AND CEQ

E.O. 12958: DECL: 04/23/2019

TAGS: PARM PREL MOPS KNNP ECON EFIN SENV JA AS SUBJECT: TSD SENIOR OFFICIALS MEETING, APRIL 21

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Classified By: CDA Daniel A. Clune. Reasons: 1.4 (b),(c),(d),(e),(f),(h)

SUMMARY

¶1. (S/REL AUS/JA) Under Secretary Bill Burns joined Japanese Deputy Foreign Minister Kenchiro Sasae and Australian Secretary of the Department of Foreign Affairs and Trade Michael L'Estrange at the Trilateral Strategic Dialogue (TSD) Senior Officials Meeting (SOM) in Canberra on April 21. officials exchanged views on Afghanistan/Pakistan, Iran, the Middle East, Russia, nonproliferation and disarmament, China, DPRK, India, Southeast Asia and regional architecture, and received intelligence assessments on the strategic implications of global climate change and the impact of the global financial crisis on the Asia-Pacific region. The political directors approved in principle terms of reference for benchmarking progress of the TSD and enhancing practical cooperation, and agreed to consider meeting again on the margins of UNGA in New York in the fall. End Summary.

GLOBAL ISSUES

AFGHANISTAN/PAKISTAN -----

12. (C) Japan and Australia lauded the USG

Afghanistan/Pakistan policy review, particularly the emphasis it placed on balancing the need for civilian and military resources. DFM Sasae said Japan planned to increase its assistance, and would discuss with Australia what additional financial assistance the two countries might offer. He observed the entire region, including Turkey, Iran, the Central Asian Republics, India and Russia, had to play a role to achieve fundamental progress, but it was particularly important for Pakistan to address not only its border problem but counterterrorism more broadly. Secretary L'Estrange emphasized that responsibilities must be shifted incrementally and regularly to the Afghans, otherwise outside forces might find themselves on permanent duty. Additionally, reconciliation strategy towards Taliban elements in Afghanistan and Pakistan must recognize that those who cannot be reconciled must be dealt with militarily, yet without the collateral deaths that make reconciliation so difficult. At the same time, reconciliation was very much dependent upon the control of corruption in both governments.

¶3. (C) U/S Burns commended the outcome of the Pakistan Donors Q3. (C) U/S Burns commended the outcome of the Pakistan Donors meeting in Tokyo, thanking Australia for doubling its assistaQ level. The political directors agreed control of the Pakistan-Afghan border was key to making substantial progress politically, socially and economically in both countries. Regional governments and NATO forces had to prevent the creation of a Taliban-controlled region in northern Pakistan and southern Afghanistan. DFM Sasae suggested that resolving the Kashmir dispute might free up troops for border patrols although all agreed that the Mumbai attacks seriously set back India-Pakistan relations. Secretary L'Estrange opined that the ISI was a complex hydra that was playing both ends against the middle. Pakistan's

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continuing political disintegration was viewed as a multifaceted perfect storm of disasters particularly exacerbated by the financial crisis. Thus, the increase of funding from Australia and Japan was considered particularly important.

14. (C) Secretary L'Estrange and DFM Sasae suggested engaging with Saudi Arabia, the Gulf States and China to bring funding and encouragement to the Pakistani government. Secretary L'Estrange thought these other actors could cooperate with USG efforts and dull suspicion of U.S. motives. U/S Burns remarked that the U.S. is working hard with the Saudis and the Chinese. DFM Sasae wondered whether Sharia law in the Swat Valley, although not optimal, might be better than the present lawlessness and be manipulated over time toward a more internationally acceptable legal framework. U/S Burns and Secretary L'Estrange both agreed that Sharia was a dangerous tool in the hands of fundamentalist judges ruling over a largely illiterate and uninformed populace.

IRAN

15. (C) US Burns noted the ongoing review of U.S. Iran policy and outlined the approach of the Obama administration:

- -- The United States is willing to engage directly with Iran, both bilaterally and multilaterally.
- -- The goal is to change the conduct of the present regime--not to change the regime. Iran has the right to peaceful uses of nuclear energy and research, but needs to meet its obligations, including to the International Atomic Energy Agency, and reassure the international community of the exclusively peaceful nature of its program.
- U/S Burns observed that the Iranian elections in June were complicating political and diplomatic processes. Moreover, anti-Americanism was embedded in the DNA of the Iranian regime. Thus, cooperation is very difficult to initiate. Iran shared some goals with the United States in the region, including opposition to Taliban control in Afghanistan and

Pakistan, and opposition to narcotics. There are also possibilities for cooperation in Iraq, although Iran's behavior is still threatening in some respects.

 $\P6$. (C) On the nuclear issue, U/S Burns said the P5 plus 1 had made clear its willingness to meet with Iran. If there was no substantial diplomatic progress by autumn, it would be Qno substantial diplomatic progress by autumn, it would be necessary to look at exerting more substantial pressure. He stressed that the United States had not entered into the new approach with the expectation of failure, and would made a serious diplomatic effort. Suspension of enrichment and reprocessing is the objective, not only of the U.S., but of our other partners, as laid out in the UNSC resolutions. Progress in Iranian cooperation on Iraq, Afghanistan, and narcotics control are elements in a healthier relationship, but are not a substitute for progress on the nuclear issue. There is an urgency to P5 plus 1 efforts given Iran's accumulation of LEU and the regional implications. U/S Burns urged Australia and Japan to urge Iran to accept the P5 plus 1 invitation and to immediately implement the "freeze for freeze.

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Middle East / Iraq

- 17. (C) U/S Burns said the Israelis clearly articulate their deep concerns about Iran, but must be convinced that a revival of diplomatic progress on the Palestine issue is a critical element of a successful strategy in the region. DFM Sasae argued that American and Israeli engagement with Syria could take Syria out of the Iranian orbit. L'Estrange noted that Syria's role in Lebanon is something Australia's large Lebanese community watches carefully. U/S Burns and Secretary L'Estrange agreed on the value of the 2002 Saudi Peace Plan.
- 18. (C) Secretary L'Estrange noted that progress in Iraq has opened up possibilities throughout the Middle East, as Prime Minister Maliki observed during his visit to Australia. U/S Burns commented that Iraq was gradually being reintegrated into the Arab world although the Saudis remain suspicious of Maliaki.

Russia

- 19. (C) U/S Burns said the United States has made an effort forge a fresh start in relations with Russia. Russia needed to understand that other countries would not accept 'spheres of influence' nor would they recognize the independence of Abkhazia or South Ossetia. On issues such as nuclear proliferation and arms control, there is common ground with Russia. U/S Burns stated the United States wanted to complete negotiations on a successor to START by the end of 2009 as part of a wider effort to strengthen the Nuclear Nonproliferation Treaty (NPT.) He noted that President Medvedev had agreed to allow transit of lethal supplies through Russia for NATO forces in Afghanistan. DFM Sasae welcomed the resetting of U.S. relations with Russia. He reminded the group that the recent missile launch by North Korea should help the Russians empathize with Japanese and European fears of missile attacks. DFM Sasae added that Putin planned to visit Japan during the second week of May.
- 110. (C) Secretary L'Estrange drew attention to the connection between Russians assertiveness and the price of oil, observing Russia was less politically assertive as oil prices fell. DFM Sasae observed the Russians were keen on joining economic and diplomatic organizations, but were not equally keen on doing anything once they are members of the club. Qkeen on doing anything once they are members of the club. Japan would like to make them to pay a price for admission and take part in regional efforts. Japan would gladly help with Siberian development in return, but there are also territorial issues to Qve. Secretary L'Estrange mentioned

that the Russians intend to host the 2012 APEC Leaders Meeting in Vladivostok.

Nuclear Non-Proliferation

111. (C) Secretary L'Estrange welcomed President Obama's speech in Prague on disarmament and nonproliferation and noted the International Commission on Nuclear Nonproliferation and Disarmament (ICNND) would meet in Moscow in June. He stated Australia had halted the sale of uranium

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to Russia after its invasion of Georgia, but suggested the halt could be lifted soon. Secretary L'Estrange emphasized the need for Russia to understand that its nuclear assistance to Iran was undermining the NPT. Turning to the May 4-15 NPT Preparatory Conference in New York, L'Estrange outlined Australia's three objectives: to reassert the importance of the NPT; to endorse the need for stronger safeguards and adoption of the Additional Protocol; and to secure agreement from the Nuclear Weapon States to make further cuts in nuclear weapons. He voiced hope that China, currently the only Nuclear Weapon State that was strengthening its nuclear arsenal, would join in reducing its stockpile. DFM Sasae agreed but noted China justified its actions by pointing to the greater arsenals of other states.

112. (C) U/S Burns foresaw a post-START agreement that would call for a modest decrease from Moscow Treaty levels. He anticipated a series of agreements to steadily bring down overall numbers, but noted negotiations would become increasingly difficult as stockpile levels fell. U/S Burns cited as an obstacle to disarmament Russia's reliance on its strategic deterrent to compensate for the degradation of its conventional forces. DFM Sasae observed that Russia was modernizing its submarine fleet, even as it dismantled older nuclear submarines.

INTELLIGENCE ASSESSMENTS

STRATEGIC IMPLICATIONS OF GLOBAL CLIMATE CHANGE

- 13. (S) Heather Smith, Deputy-Director of the Office of National Assessments, briefed the senior officials on strategic implications of climate change. Key points included:
- -- In the absence of any action to control carbon dioxide (CO2), average world temperatures would increase by two degrees by 2050 and by four degrees by 2100.
- -- In East Asia, the impact of climate change would become serious by 2030.
- -- Climate change would exacerbate existing problems rather than posing new threats to security.
- -- Southeast Asia, because of political turmoil, a growing youth demographic and a general increase in population, is worst affected.
- -- Decreased water flows from Himalayan glaciers to the Asian Q-- Decreased water flows from Himalayan glaciers to the Asian mainland would have a cascade of economic, political and social consequences in countries dependent on these flows.
- -- The Arctic ice melt would have positive and negative consequences for all of the Arctic Ocean littoral states and raise international legal issues.
- -- The decreased flow of the Indus River could exacerbate the Kashmir conflict.
- -- China is potentially the biggest loser because of changes of riverine flows due to climate change. It could lead to international confrontations with states sharing the Mekong system although present hydro-electric developments have not yet diverted flows.
- -- Food demands may force China to trade for the first time

in new agricultural markets.

- -- Southeast Asia faces wild monsoon variations with subsequent effects on littoral infrastructure, agriculture, marine currents, and fish stocks.
- -- Many difficulties will be compounded by bad development decisions, especially in city growth and infrastructure. For example, population growth and consequent increased ground water usage in coastal cities cause subsidence, adding to the effect of rising sea levels.
- -- Cross border population movements may pose less of a danger than sudden internal migrations, especially in multi-ethnic societies.
- 114. (S) In response to a U.S. question about the degree of awareness and planning by China to address climate change, Smith responded the Chinese leadership saw pollution as a looming problem, but had not yet accepted climate change as an immediate threat. Present water management may help increase production of energy and food now, but could be a devastating mistake if climate change deals a meteorologically impossible hand. DFM Sasae commented that while Pacific Island nations are not threatened by the water scarcity problems confronting East Asia, they face an existential threat of rising sea levels and are planning for evacuation rather than mitigation measures. Secretary L'Estrange said Australia planned to raise the issue at the Pacific Island Forum meeting in Cairns in June, and would urge the Pacific Island nations to address environmental problems incrementally rather than focusing on the worst-case scenario immediately.

GLOBAL FINANCIAL CRISIS: IMPACT ON ASIA-PACIFIC

- 115. (S) Smith presented an Australian intelligence estimate on the impact of the global financial crisis on the Asia-Pacific region, which made the following points:
 -- Those economies most intertwined with the US economy would feel the greatest negative effects.
- -- Energy and resource-based economies would experience largely externally caused effects.
- -- Manufacturing and export based economies would be especially hard hit.
- -- China currently was showing quarterly growth around 6 percent and it appeared unlikely that its planned stimulus would enable it reach the magic number of 8 percent. The greatest problem for China was the mass of newly unemployed Qgreatest problem for China was the mass of newly unemployed farm migrants, living in the coastal and central development zones: where do they go and where will they be when the economy fires up again?
- -- India is more insulated from the financial crisis because so many of its people are dependent on peasant farming.
 -- Southeast Asia would suffer from tighter credit; this will have the greatest effect on Malaysia and Thailand which were already in recession. Indonesia, on the other hand, was well-placed to grow by 3 percent in 2009 although increased unemployment was adding to social pressures in a newly democratic state currently in election mode.
- -- Strategic consequences hinge on the pace of the recovery: If China succeeded in growing despite the crisis, its power in the world would be enhanced. If the US remained hobbled by the recession for long, its power would be decreased. The

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greatest disasters would arise in third tier states such as Pakistan, Eastern Europe, etc.

116. (C) Secretary L'Estrange pointed out that protectionism and the loss of remittances could cause migrants from developing countries to return home. DFM Sasae observed the financial crisis of 1998 had left Southeast and East Asian countries with institutions that could be used to help now, such as the Chang Mai Initiative. The key problem for all was clearing toxic assets and reconstitution of the financial

CHINA

117. (C) DFM Sasae provided Japan's perspective on China, noting that, while China sought to prevent national security issues from overshadowing its current domestic and foreign policy agenda, it was deliberately adopting a more self-assertive posture in the South China Sea and around the Senkaku Islands. After according military modernization a low priority during the 1970s and 1980s, China now aimed to build up its military commensurate with its growing economic power and international status. He shared with his SOM counterparts a questionnaire Japan had submitted to China following the release of China's National Defense White Paper requesting detailed responses to a range of questions about China's national defense strategy, defense expenditures, nuclear and missile capabilities, air and naval capabilities, arms exports and space policy. Sasae asserted Japan's

fundamental relationship with China continued to improve, pointing to increased engagement on security issues and a greater willingness to cooperate on economic issues, the environment and other areas. China had rebuffed a Japanese suggestion to discuss human rights, responding that the topic

was more appropriate to take up with the United States.

 $\P18.$ (C) U/S Burns outlined U.S. China policy, commenting on the Secretary's recent initiative to commence a Strategic and Economic Dialogue, U.S. concerns with the pace and transparency of China's military modernization, and the importance of Chinese engagement on such issues as Iran, the DPRK and the global economic and financial crisis. Secretary L'Estrange echoed similar themes, characterizing Australia's policy towards China as one of active and positive engagement, but without any illusions about real differences Qengagement, but without any illusions about real differences separating the two countries. L'Estrange identified Chinese priorities over the short-term as security of energy supplies, continued economic growth, and maintenance of territorial integrity; China's medium-term goals focused on Taiwan and more overt competition with the United States; and its long-term objectives was to establish strategic influence in the Western Pacific and achieve power projection capabilities. L'Estrange highlighted the need to prevent

119. (S) Responding to U/S Burns' question on how best to influence China to engage on the Iran issue, DFM Sasae replied China should be urged to show restraint in its economic dealings with Iran, while acknowledging China's heavy reliance on Iranian oil, and recommended the international community maintain pressure on China over Iran.

China from exploiting the vacuum created by the coup in Fiji.

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Graham Fletcher, Australian DFAT First Assistant Secretary for North Asia, opined that China would respond positively if confronted with the prospect of an Israeli strike on Iran's nuclear facility.

----DPRK

120. (S) DFM Sasae thanked the United States for its support in securing a strong UNSC Presidential Statement of condemnation of North Korea's April 5 Taepo-Dong 2 launch. He commented Japan had not been surprised by the DPRK's subsequent announcement it was pulling out of the Six-Party Talks and predicted the withdrawal would not be permanent. Sasae stressed the importance for the international community to follow through on the President's Statement, especially with regard to sanctions, observing ruefully that Japan had virtually exhausted options to tighten financial sanctions on the DPRK. He suggested a "cooling off" period, while leaving the door open to reengage the North Koreans. Sasae urged that initiation of any bilateral talks with the DPRK be pegged to the Six-Party talks, cautioning that the DPRK

otherwise would seek to drive a wedge between the parties. U/S Burns agreed on the need to maintain a united front.

INDIA

TNDTE

- 121. (C) The political directors welcomed India's development as a strong democracy that was playing an increasingly important global role, and described initiatives to strengthen their bilateral relations with New Delhi. DFM Sasae observed India was seeking to broaden its international engagement beyond the G-77 and to liberalize its economic policy, but remained a "difficult" player in international forums. India was now the largest recipient of Japanese development aid. Japan had developed a strategic partnership with India, he stated, and hoped to gradually expand joint military exercises.
- 122. (C) U/S Burns outlined U.S. policy toward India, elaborating the U.S. long-term investment in the political and strategic relationship, the status of the 123 Agreement and cooperation on clean energy. The challenge for the United States was to look beyond the 123 agreement to an expanded bilateral relationship. Secretary L'Estrange described Australia's view of India as a rising power, and the Rudd government's decision to make strengthening ties Qthe Rudd government's decision to make strengthening ties with India a top foreign policy priority. Australia encouraged India's "Look East" policy, welcomed its role in the EAS, and supported its membership in APEC and as a permanent member of the UN Security Council. L'Estrange outlined Australian plans for more active engagement with India in maritime security, counterterrorism and policing, adding Australia would probably pursue a bilateral free trade agreement as well. Like Japan, Australia wanted to conduct more defense exercises with India, building on its experience in the 2007 MALABAR joint military exercise, he said. Australia's decision not to sell uranium to India because it was not an NPT member was a point of friction between the two countries. L'Estrange flagged as an urgent concern the

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potential for an India-Pakistan conflict in the event of another Mumbai-type terrorist incident, especially during the current election period.

SOUTHEST ASIA

- 123. (C) L'Estrange lauded Secretary Clinton's trip to Asia, noting it had had a "tremendous" regional impact and had made an important and positive statement about U.S. engagement in the region, especially in Indonesia. He voiced regret that the disruption of the planed ASEAN and EAS meetings in Thailand had robbed the region of an opportunity to address the economic crisis.
- 124. (C) Indonesia: L'Estrange said Australia supported the desire of Indonesia, as the "dominant" country in the region, to play a larger, constructive role, for example vis-a-vis Burma. He commended Indonesia's success in disrupting Jemaah Islamiyah and jailing many of its members, and cited the Bali Democracy Forum initiative as evidence of the strength of its democratic development. L'Estrange praised President Yudhoyono, whose re-election prospects he assessed as good, and his ministers, especially Foreign Minister Wirajuda. Indonesia was the largest recipient of Australian aid. Australia especially welcomed U.S. re-engagement with Indonesia. DFM Sasae judged Indonesia to be the most stable country in Southeast Asia, aside from Singapore, and welcomed Indonesia's role as a leader in promoting democracy in the region. U/S Burns assured his counterparts that U.S. attention to Indonesia would be sustained.
- 125. (C) Burma: Secretary L'Estrange said Australia was reviewing its policy on Burma in the lead-up to elections in

that country, as the current sanctions regime did not seem to be working, while the population continued to suffer. Australia was considering an increase in aid for education, health, and capacity building to help prepare the Burmese people for an eventual change of government. The GOA did not want to reinforce the military junta, however, and had not yet defined criteria for increased assistance. DFM Sasae voiced support for Australia's decision to review its Burma policy as a means of supporting the development of democracy and stated that Japan similarly was reviewing its available economic and other tools to influence the regime in Rangoon. Qeconomic and other tools to influence the regime in Rangoon. Sasae, who said he planned to visit Rangoon soon, said Japan was seeking to re-engage in Burma after a lengthy absence, during which it had lost ground to China and India. One possible avenue was to involve Burma in the Mekong project. Sasae said Japan wanted to talk to Burma "more forcefully" in more high-level dialogues. U/S Burns urged his interlocutors to keep in close touch with the United States, which was also rethinking its Burma policy within the limits imposed by legislation.

126. (C) Philippines: Secretary L'Estrange gave a gloomy assessment of the Philippines. Talks between the Moro Islamic Liberation Front and the government did not look promising, he observed, and there were serious concerns over reports of extrajudicial killings. Sasae agreed the situation in the Philippines was "shaky" and extrajudicial

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killings were a problem, but saw a bright spot in Manila's strong role in ASEAN.

- 127. (C) Thailand: In a similarly grim overview of Thailand, L'Estrange pointed to the deep political divisions in the country as a source of concern, with no early reconciliation in sight, poor prospects for the economy, and a continuing insurgency in the southern provinces. The health of the king was also worrying.
- 128. (C) Malaysia: Secretary L'Estrange said Malaysia, which was preparing for an election, had been badly affected by the global economic crisis. Australia expected Malaysia's relations with China, already close, to become even closer.
- 129. (C) Timor-Leste: DFM Sasae disclosed that Timor-Leste wanted to join ASEAN but was opposed by Burma, which did not want another democracy in the group. During a recent visit to Tokyo by President Gusmao, FM Nakasone had offered support for Timor-Leste's "smooth admission" to ASEAN.
- 130. (C) Fiji: L'Estrange prediQd Fiji would be suspended from the Pacific Island Forum. He called for the international community to do everything possible to deny legitimQto the military regime.
- 131. (C) Regional Security Architecture: Secretary L'Estrange described Prime Minister Rudd's vision for an Asia-Pacific Community (APC) to address the shortcomings of the existing architecture, which lacked a single organization that included all the major players and would be able to address the full range of political, Qonomic and security issues. He stressed there was not yet a blueprint or plan for the APC but hoped the idea would stimulate additional thinking. DFM Sasae suggested it might be possible to advance the concept by beginning with small, informal meetings of leaders, rather than a through a highly-publicized rollout, and urged the United States to consider taking the lead on this initiative.

REVIEW OF TRILATERAL INITIATIVES

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^{132. (}C) The three parties agreed in principle to adopt a paper summarizing TSD working group progress and proposing new initiatives for practical trilateral cooperation. L'Estrange noted the importance of benchmarking progress

while maintaining the flexibility and informality that had Qwhile maintaining the flexibility and informality that had served the TSD partners so well to date. U/S Burns underscored the importance of the Terms of Reference to set benchmarks and act as a loose guide.

NEXT STEPS

133. (SBU) The parties agreed to look at the possibility of convening the next SOM on the margins of the UNGA in New York in the fall, and to consider possible dates and venues for the next TSD Ministerial meeting.

CLUNE